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AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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December 4, 2003

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Yvonne Brathwaite Burke
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley 
Auditor-Controller

SUBJECT: **LA VINA MELLO-ROOS AUDIT - COMMUNITY FACILITIES DISTRICT
NO. 7: FOLLOW UP NO. 2**

On September 26, 2003, we issued a follow up report on an audit of the La Vina Mello-Roos Community Facility District No. 7 (CFD No. 7) Acquisition Fund (Fund). In the original audit, dated July 9, 2003, we identified approximately \$1.7 million in unallowable/questioned reimbursements from the Fund to the developer. During the follow up, the developer submitted additional documentation to support approximately \$954,000 in expenditures, and we identified an additional \$96,000 in unsupported/questioned costs, leaving a balance of approximately \$855,000 in unallowable/unsupported expenditures. The Department of Public Works (DPW) elected to allow the developer to offset the \$855,000 in unallowable/unsupported expenditures with unreimbursed school fees.

On October 23, 2003, representatives from the Fifth District, our offices, the Chief Administrative Office (CAO), County Counsel, and DPW met with members of the Loma Alta Community Committee (Committee) at their request, to discuss their concerns with the follow-up report. The Committee raised the following issue, which the Fifth District requested we investigate.

Park Improvement Expenditures

The Committee stated that the Funding and Acquisition Agreement (F&AA or Agreement), entered into between the County and the developer in March 1998, estimated approximately \$1.9 million would be spent on "Park Improvements", but actual expenditures approximated only \$900,000. The Committee alleged that the County and the developer "raided" the budget for "Park Improvements" by the difference of \$1 million to fund overages in other facilities (e.g., street improvements or drainage.) This left the community of Altadena short of vitally necessary improvements at Loma Alta Park.

Findings

As detailed in Attachment I, the current actual reimbursements to the developer for "Park Improvements" is \$1,840,186, which is \$83,867 less than originally estimated in the F&AA. This actual figure differs significantly from the \$900,000 figure cited by the Committee for two reasons. First, it includes a transfer of \$455,398 in Mello-Roos funds in June 2003 as a contribution towards the County's gymnasium and general improvement project at Loma Alta Park (Capital Project No. 68961.) Second, it includes all adjustments for duplicate, unsupported, over-recovered and mis-categorized costs which the A-C identified in its audit. The transfer and the majority of the audit adjustments were not reflected in the \$900,000 figure cited by the Committee.

In general, the actual expenditures aligned with the estimated expenditures included in Exhibit B of the F&AA (i.e., Quimby fees, Eaton Canyon Habitat Restoration fees, park site land acquisition fees and Loma Alta Park improvements). As well, we noted that actual soft cost expenditures (e.g., consulting and engineering) represented 16% of total expenditures, compared to the estimated 19% in the F&AA.

A detailed breakdown of the actual expenditures reimbursed from the "Park Improvements" is attached (Attachment II).

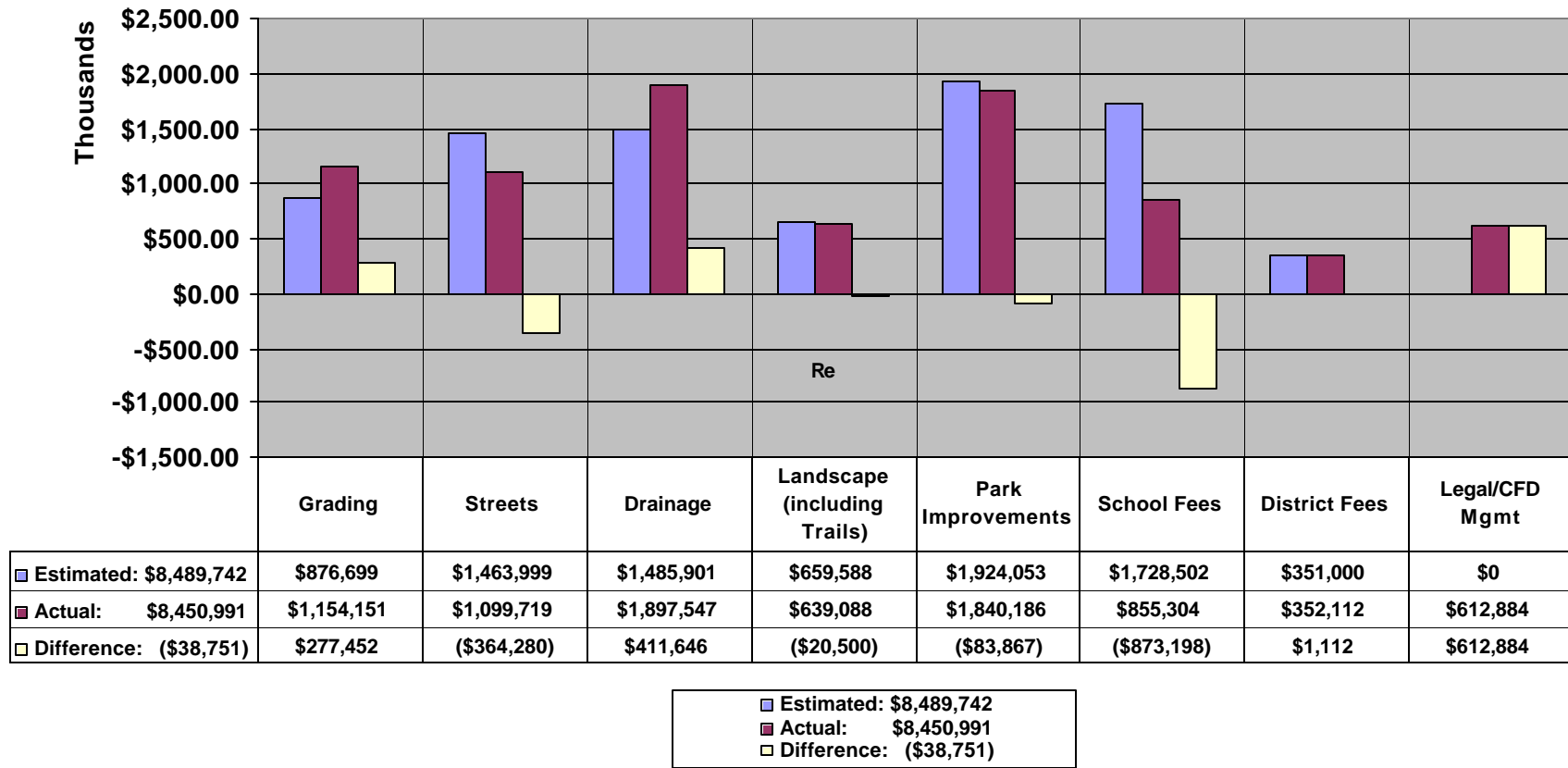
If you have any questions, please contact me or your staff may contact DeWitt Roberts at (626) 293-1101.

JTM:DR:JK

Attachments

c: David E. Janssen, Chief Administrative Officer
Lari Sheehan, Assistant Administrative Officer
Lloyd W. Pellman, County Counsel
James A. Noyes, Director, Department of Public Works
Timothy Gallagher, Director, Department of Parks and Recreation
James Hartl, Director, Department of Regional Planning
Mark J. Saladino, Treasurer and Tax Collector
Violet Varona-Lukens, Executive Officer
Audit Committee (6)
Public Information Officer
Loma Alta Community Committee
Adrian Foley, Brookfield Homes

Estimated Reimbursements vs. (Adjusted) Actual Reimbursements



- Actual expenditures are inclusive of all audit adjustments and have been reconciled to the Auditor-Controller Accounting Division's records.
- Estimated expenditures are from the F&AA.
- \$639,148 was transferred from the Mello-Roos District Acquisition Fund as a contribution towards the Loma Alta Park Gymnasium and General Improvement Project, effective June 2003. \$455,398 was charged to Park Improvements and \$183,750 was charged to Landscape (Trails.)

**La Vina Mello-Roos District Acquisition Fund
Park Improvements Reimbursements**

Expenditure Type	Amount	Relative % of Total Costs	Explanation
Hard costs			
1. Eaton Canyon restoration	\$448,579		Mitigation costs related to monitoring, site clearing and planting in the Eaton Canyon Habitat park.
2. Quimby Obligation <ul style="list-style-type: none"> Cash Land dedication Grading 	317,860 125,000 150,000		The developer satisfied its Quimby obligation, a condition of improvement, by paying \$317,860 in in-lieu fees, dedicating 4.5 acres in land (north-east of the drainage basin) for public park purposes, and grading the park site for \$150,000.
3. Loma Alta Park <ul style="list-style-type: none"> Parking lot, lighting and signage 	48,022		Parking lot, lighting and signage for Loma Alta Park.
<ul style="list-style-type: none"> Contribution towards Gymnasium and General Improvement Project 	455,398		\$639,148 was transferred as a contribution towards the Loma Alta Park Gymnasium and General Improvement Project, effective June 2003. \$455,398 was charged to Park Improvements and \$183,750 was charged to Landscape (Trails).
Subtotal	\$1,544,859	84%	
Soft costs			
1. Developer	\$102,251		Employee salaries from the period January 1999 to December 2000 allocated to the Park Improvements category.
2. Graphics	46		Miscellaneous
3. MDS Consulting	12,953		Consulting related to both Eaton Canyon and Loma Alta Park, invoiced from October 1996 to December 1998
4. Michael Brandman & Assoc	68,228		Mitigation, planning and consulting, invoiced from December 1995 to July 2001.
5. Pasadena Municipal Service	21,177		Water for Eaton Canyon, invoiced from July 1996 to November 1997.
6. Power Plus	4,290		Electricity, invoiced from February 1996 to August 1996.
7. Security Service	4,032		Security, invoiced in July 1997.
8. Urban Vision, Inc.	82,350		Mitigation, planning and consulting, invoiced from December 1995 to September 1998.
Subtotal	\$295,327	16%	
Total	\$1,840,186	100%	